



Department of Justice

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JUSTICE DEPARTMENT CLEARS PROPOSAL TO PROVIDE REAL-TIME COMPUTERIZED TRADING OF ELECTRIC POWER ON A NEXT-HOUR BASIS

WASHINGTON, D.C. -- An electric power utilities and marketers group will be allowed to establish a computerized bulletin board that would allow real-time trading of electric power under a proposal approved today by the Department of Justice.

The Automated Interchange Matching System, composed of 26 electric power utilities and marketers who do business with the eastern half of the U.S., will be permitted to create a computer system that would enable its members to electronically post buy and sell orders for next-hour energy.

The Department said that to the extent that the proposal created greater incentives for increased efficiency it could foster price rivalry to the benefit of consumers.

The Department's position was stated in a business review letter from Anne K. Bingaman, Assistant Attorney General in charge of the Antitrust Division, to counsel for the Automated Interchange Matching System.

While most electric power is sold wholesale with long-term contracts, there has been a trend toward increased sales of electric power on a shorter-term basis--from one hour to several days. This power is then resold to retail, commercial, industrial and other customers of the purchasing utility or marketer.

Presently, firms interested in buying or selling electric power on a short-term basis must contact each other by telephone or other means that do not allow broad canvassing of potential buyers and sellers. The Department noted that this is an inefficient means of buying or selling next-hour energy.

All price quotes would be posted 35 minutes before the next hour, the hour for which the quotes are applicable. The buy and sell bids would then be matched by an algorithm that paired the highest buy quote with the lowest sell quote, and so on, and the matching members would be notified within 30 minutes before the next hour. The matched parties would carry out the transactions, if they chose to, pursuant to existing bilateral contracts between the parties. The Automated Interchange Matching System will have no role in the establishment of bilateral contracts.

The group's members will be free to buy or sell energy outside of the system and it is anticipated that substantial amounts of non-firm energy will be bought and sold outside of the system. Membership in the Automated Interchange

Matching System would be open to a broad array of participants in the electric power business on a nondiscriminatory basis. While the computer system will originally be designed to handle current members, it will have the capability of expanding quickly to accommodate up to 62 members.

Noting that "only the matched buyer and seller would have contemporaneous knowledge of the price for any given match", Bingaman stated that the proposed computerized bulletin board "would not appear to raise any danger of price collusion or otherwise impede competition."

Under the Department's Business Review Procedure, an organization may submit a proposed action to the Antitrust Division and receive a statement as to whether the Division will challenge the action under the antitrust laws.

A file containing the business review request and the Department's response may be examined in the Legal Procedure Unit of the Antitrust Division, Suite 215, Liberty Place, 325 7th Street, N.W., Department of Justice, Washington, D.C. 20004. After a 30-day waiting period, the documents supporting the business review will be added to the file.

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